

Before the  
**FEDERAL COMMUNICATIONS COMMISSION**  
 Washington, D.C. 20554

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AUG 26 1993

In the Matter of

Implementation of Sections of the Cable  
 Television Consumer Protection and  
 Competition Act of 1992

Rate Regulation

MM Docket No. 93-215

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**COMMENTS OF**  
**MULTICHANNEL COMMUNICATION SCIENCES, INC.**

Multichannel Communication Sciences, Inc. ("MCSI"), hereby submits these comments in response to the Federal Communications Commission's ("Commission") Notice Of Proposed Rulemaking ("NPRM") in the above-captioned proceeding.

MCSI is the developer of the addressable broadband descrambling and access control technology that will allow cable operators to eliminate incompatibilities between consumer electronics equipment and cable systems utilizing scrambled TV transmissions. Using advanced digital signal processing methods embodied in broadband "converterless" subscriber devices, MCSI's technology restores all features and functions contained in TV receivers and video cassette recorders ("VCRs") by providing the subscribers all authorized channels simultaneously in the clear on their cable drop<sup>1</sup>.

MCSI submits that in adopting Cost of Service rules for cable rate regulations, the Commission should provide sufficient incentives for cable operators to implement technological solutions that allow the delivery to the subscriber terminal of all authorized channels simultaneously in the clear in order to meet the statutory obligations to assure Consumer Electronics Equipment Compatibility as embodied in Section 17 of the 1992 Cable Television

<sup>1</sup> See Appendix A in Comments of MCSI dated March 22, 1993, *In the Matter of Implementation of Section 17 of the Cable Television Consumer Protection and Competition Act of 1992, Compatibility Between Cable Systems and Consumer Electronics Equipment*. ET Docket No. 93-7. (Hereinafter "MCSI Comments on Compatibility")

Consumer Protection and Competition Act<sup>2</sup> ("Cable Act"), in a manner that minimizes costs to subscribers. In other Commission proceedings<sup>3</sup>, MCSI explained in detail the subscribers' benefits in instituting incentive rate increments for the provision of Cable Programming Services as Simultaneously Clear Addressable Tiered Services ("SCATS"). In MCSI's Reply Comments referred to above, it was shown that an average cable system that becomes fully addressable would have to employ over twice as many set-top descramblers as compared to the number of broadband access control devices required in a fully addressable system utilizing broadband descrambling to provide SCATS. Hence, the proposed SCATS increments in permitted charges would be lower than alternative charge increases to subscribers if such tiers of service are not SCATS and thus require the monthly rental of many set-top descramblers and related remote controls. According to MCSI's proposal the mere offering of clear channels would not qualify for SCATS increments. Rather, it is proposed that in order for channel tiers to qualify for the SCATS increments, access to such channels and tiers must be addressable and no buy-through requirements of these tiers in order to purchase other services will be permitted. In keeping with all provisions of the Cable Act, this qualifying condition provides an extra consumer protection measure, as it assures that subscribers purchase only what they want.

In a Cost of Service regime, these incentives may be provided based on certain allowances for shorter depreciation schedules for subscriber equipment employed to provide subscribers with SCATS as compared to the depreciation period permitted for set-top descramblers. An alternative formulation of such incentives would be to allow the accelerated depreciation of set-top subscriber equipment that is replaced by subscriber equipment which enables the supply of SCATS. The Commission may construct such shortened depreciation schedules so as to achieve average subscriber equipment charge increases that are only a fraction of the average equipment charge increases that would otherwise result if cable operators were to accomplish their full addressability goals by using set-top descramblers.

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<sup>2</sup> Pub. L. No. 102-385, 102 Stat. 1460 (1992).

<sup>3</sup> See MCSI's *Ex parte* Notice of August 23, 1993, MM Docket No. 92-266; MCSI's Petition for Reconsideration filed June 21, 1993 in MM. Docket 92-266; Comments of MCSI on Compatibility dated March 22, 1993 at pp 6-17; and Reply Comments of MCSI on Compatibility dated April 21, 1993 at pp 5-7.

If the Commission's regulations do not reflect rate incentives for Simultaneously Clear Addressable Tiered Services as compared to services with set-top decoder devices, cable operators and equipment suppliers will be discouraged from investing and developing technologies that customers want and Congress called for by enacting Section 17 of the Cable Act. Absent such incentives, cable operators' only option will be to continue to supply subscribers with more set-top descramblers, at costs to subscribers that far exceed those which they will incur if charged an incremental fee for SCATS offering.

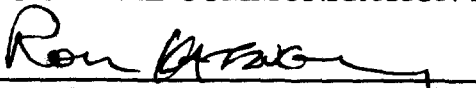
The Commission need not arrive at a finding that technologies for implementing SCATS are either available or cost-effective in order to proceed with the implementation of incentive depreciation schedules for the voluntary offering of SCATS. The existence of such incentives provides the best assurance for SCATS technologies to be perfected and brought to market. Furthermore, the record in the Commission's Compatibility proceeding shows that there are no other substantive actions that the Commission or cable operators can take to effectively address the Compatibility problem for the growing installed base of over 200 million TV sets and 80 million VCRs. The Commission must now recognize the opportunity to use judiciously the rate regulation instrument in crafting fair and equitable Cost of Service rate guidelines that provide proper incentives to cable operators to deploy technologies that serve the public interest.

### **CONCLUSION**

In conclusion, MCSI respectfully urge the Commission to establish a separate category of subscriber equipment providing Simultaneously Clear Addressable Tiered Services and urges the adoption by the Commission of a preferential depreciation schedule for such equipment in order to serve the public interest and comply with the Cable Act of 1992 as detailed and explained in these Comments.

Respectfully submitted,

MULTICHANNEL COMMUNICATION SCIENCES, INC.

By:   
Ron D. Katznelson, Ph.D., President

5910 Pacific Center Blvd.  
San Diego CA. 92121, (619) 587-6777

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